# FISCAL MEMORANDUM

# HB 1387 - SB 1457

June 9, 2020

**SUMMARY OF ORIGINAL BILL:** Requires a dealer with no physical presence in this state to collect and remit state sales and use tax as if the dealer has a physical presence, granted, either the following conditions apply to such dealer:

- The person's gross revenue from sales made in this state exceeds $100,000; or
- The person made 200 or more separate sales transactions in this state.

Stipulates that no dealer will be required to collect and remit sales tax for any sales made before July 1, 2019.

Requires any dealer who meets either of the aforementioned criteria to register with Department of Revenue (DOR).

Authorizes the DOR to provide dealers with no physical presence in this state access to sales tax administration software free of charge. Establishes that any dealer using such software, as provided by the DOR, is immune from audit liability regarding the collection and remittance of sales tax, as required by this legislation.

This legislation shall take effect July 1, 2019.

FISCAL IMPACT OF ORIGINAL BILL:

    Increase State Revenue - $79,267,500

    Increase Local Revenue - $29,409,700

**SUMMARY OF AMENDMENT (018419):** Deletes all language after the enacting clause. Authorizes the annual assessment of a property's value with regard to property taxes to be pro-rated to a different amount if it is a residential building or improvement that was demolished or destroyed by a severe storm, tornado, or straight line wind in a county designated by the federal emergency management agency (FEMA) as eligible for individual assistance through a major disaster declaration on or after March 1, 2020, and before May 1, 2020.

Any decrease in property tax revenue to counties and municipalities will be offset from the available and remaining funds appropriated for disaster relief in Section 59 of Public Chapter 651 of 2020.

## FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

**Other Fiscal Impact – In the event that disaster relief funding provided by the general appropriations act is not sufficient to hold local governments harmless, some local governments may experience a decrease in local revenue; the timing and extent of any decrease in local revenue cannot be reasonably determined.**

Assumptions for the bill as amended:

- Pursuant to Tenn. Code Ann. § 67-5-603(a) any building or improvement that is destroyed or damaged and is not restored before September 1 of that year shall be assessed on the basis of the value of the property after such destruction or substantial damage.
- It is estimated that approximately 2,200 structures were damaged in the natural disaster that occurred on March 3, 2020 in Davidson, Putnam, or Wilson County, and approximately 1,600 structures on April 12, 2020 in Hamilton County for a total of 3,800 (2,200 + 1,600) structures destroyed within the proposed legislation's parameters set for receiving the pro-rated property assessment.
- The proposed legislation does not allow for properties to receive the pro-rated property assessment if the buildings are repaired within 30 days of the disaster; it is unknown how many of the 3,800 structures were repaired within 30 days of the eligible disasters.
- Section 59 of Public Chapter 651 of 2020 appropriated $30,000,000 in disaster relief grants.
- Authorizing use of such funding to hold local governments harmless may result in a shift in the distribution of disaster relief funding to local governments.
- It is unknown what amounts of these funds are both available and unused for the purpose of this proposed legislation. In the event that such disaster relief funding is not sufficient to hold local governments harmless, some local governments may experience a decrease in local revenue; the timing and extent of any decrease in local revenue cannot be reasonably determined.

## CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

*Krista Lee Carsner*

Krista Lee Carsner, Executive Director

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